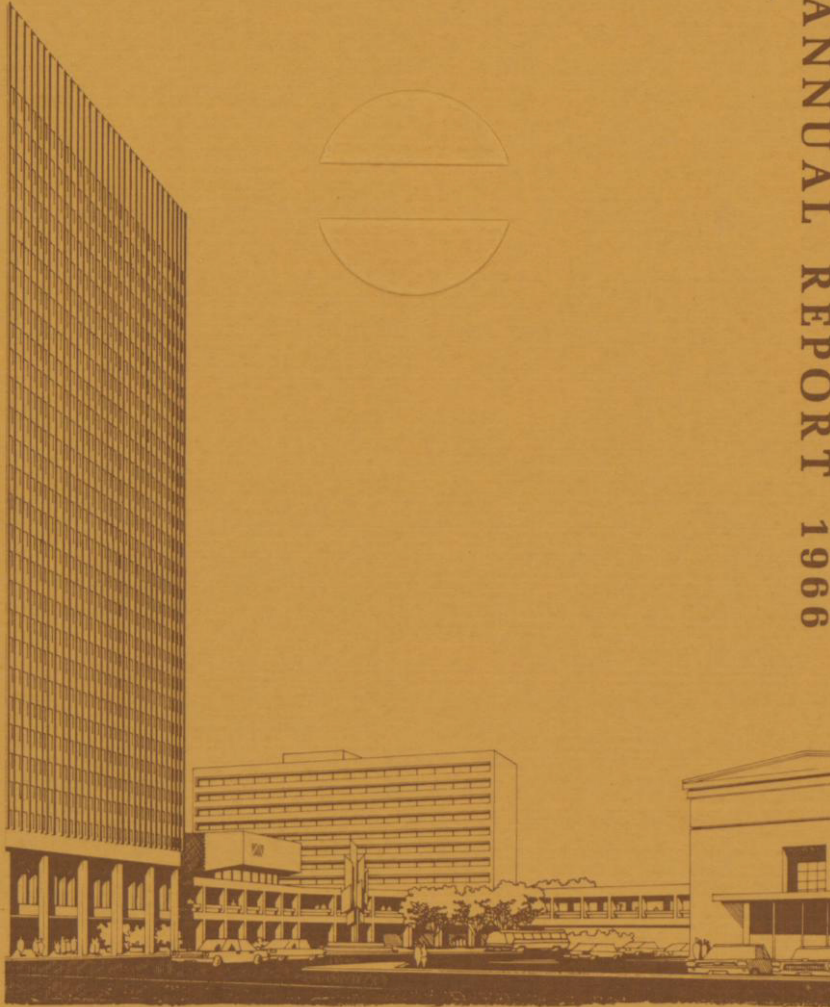


FOOD FAIR PROPERTIES, INC.

ANNUAL REPORT 1966



OFFICERS & DIRECTORS

SAMUEL FRIEDLAND.....President and Director
JACK M. FRIEDLANDVice President and Director
NORMAN M. KRANZDORF Vice President and General Manager
SAMUEL STEINTreasurer
EDWARD MANNSecretary
D. FREDERICK BARTONDirector
GEORGE FRIEDLANDDirector
HESS KLINEDirector
WILLIAM G. KURTZ, JR......Director
MYER B. MARCUSDirector
ARTHUR S. ROSENBERG.....Director
LOUIS STEIN.....Director and Chairman of Finance Committee
LEOBE CHAIMSON.....Assistant Secretary
RICHARD K. RASKIN.....Assistant Secretary

EXECUTIVE OFFICES

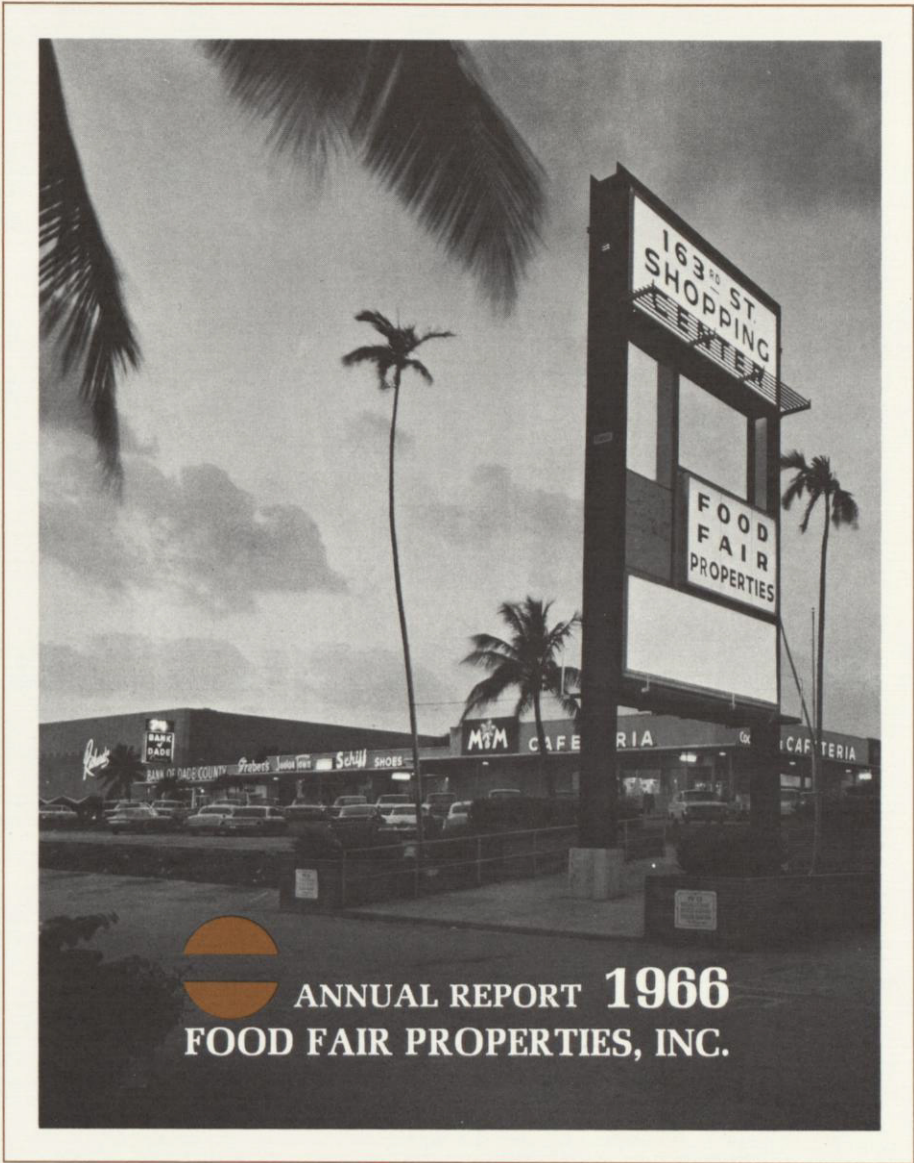
3175 John F. Kennedy Boulevard, Philadelphia, Pa. 19104

GENERAL COUNSEL

Stein Abrams & Rosen, 522 Fifth Avenue, New York, N. Y. 10036

TRANSFER AGENT

Registrar & Transfer Co., 15 Exchange Place, Jersey City, N. J. 07302



ANNUAL REPORT **1966**
FOOD FAIR PROPERTIES, INC.

*Night view of a portion of 163rd Street Shopping Center,
Miami, Fla., your Company's first and largest center.*

HIGHLIGHTS



	<i>Year ended December 31,</i>	
	1966	1965
Total Income	\$11,588,801	\$10,825,794
Cash Flow*	\$ 3,322,808	\$ 3,097,634
Permanent mortgage amortization paid from cash flow	\$ 1,770,473	\$ 1,688,472
Income before depreciation	\$ 3,328,118	\$ 3,104,624
Depreciation charged to expense	\$ 2,650,626	\$ 2,438,501
Income from shopping center operations**	\$ 566,158	\$ 270,931
Net Income	\$ 375,433	\$ 436,124
Number of centers in full operation	38	37
Number of centers in partial operation or under construction	4	4
Gross rentable area in operation	6,000,000 <small>Sq. Ft.</small>	5,600,000 <small>Sq. Ft.</small>

* Represents net income plus depreciation and deferred taxes on income

** Represents income before taxes on income less profit on sale of real estate

ANNUAL MEETING The annual meeting of shareholders of Food Fair Properties, Inc. will be held on Tuesday, May 2, 1967, at 2 P.M., Eastern Daylight Time, in the Meeting Room of the Food Fair Building, 3175 John F. Kennedy Boulevard, Philadelphia, Pa. Shareholders are cordially invited to attend.

A formal notice of the meeting, a proxy, and a proxy statement are enclosed. Shareholders unable to attend are urged to date, sign, and return the proxy promptly so as to be assured of representation at the meeting.

TO OUR SHAREHOLDERS:

The first year of your Company's second decade was marked by significant improvement in shopping center operations. We intensified and broadened the scope of our operations, and continued the expansion-modernization program of existing centers.

This was a record year for total income, rental income, and for income from shopping center operations. However, due to a decrease in profit on the sale of real estate, and to an increase in taxes on income, net income was lower than that of the previous year.

At the end of 1966, Food Fair Properties, Inc. had 38 centers in full operation, and four others partially open or under construction.

During the year, Beloit Plaza, Beloit, Wis., joined the roster of centers in full operation; the first section of Fields Plaza, Parsippany-Troy Hills, N.J., was opened, and construction was started on Blue Bell Shopping Center, Philadelphia, Pa. The latter two will be in full operation later this year.

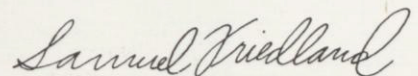
Your Company's centers continue to maintain an occupancy rate of better than 97 percent—among the highest in the nation. We are privileged to number among our tenants many of the nation's leading retail chains and an excellent cross-section of local merchants. Of the nation's 40 top merchandise retailers, half are tenants in your Company's centers!

The year 1966 also saw a further reduction in your Company's permanent mortgage indebtedness in previously completed centers and a continuing increase of shareholder equity in those shopping centers. Since the founding of the Company, more than \$10 million of such permanent indebtedness has been repaid.

In the short span of 11 years, your Company has become the nation's largest publicly-held shopping center developer through sound financing, foresight in planning and development, and efficient operation.

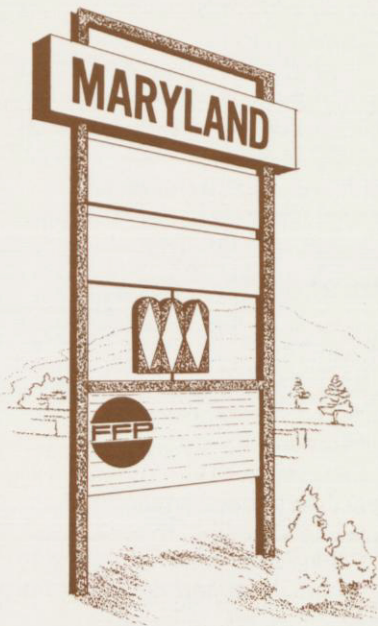
I am grateful to our tenants, our business associates, our employees, and our shareholders for their continuing support and cooperation. Together, we may look forward with confidence to even greater progress in the years to come.

Sincerely,



Samuel Friedland,
President

April 12, 1967



REVIEW OF OPERATIONS



INCOME AND EARNINGS

The year 1966 produced a significant improvement in income from shopping center operations resulting from increased efficiency and higher occupancy of our centers.

Total income of Food Fair Properties, Inc. for the year 1966, including profit on the sale of real estate, continued its upward climb and amounted to a record \$11,588,801, an increase of 7.0% over last year's previous record high of \$10,825,794.

Rental income amounted to a record \$11,058,293, an increase of 9.3% over the 1965 figure of \$10,113,787.

Your Company's income from shopping center operations rose substantially to \$566,158—an increase of 110% over the 1965 income of \$270,931.

After provision for depreciation and deferred income taxes totalling \$2,947,375, net income for 1966 was \$375,433 as compared to \$436,124 for 1965. This decrease was primarily due to lower profit on the sale of real estate, which in 1966 amounted to \$111,334 as compared with \$395,192 in 1965, and to higher taxes on income. The 1966 figures reflect a loss on the sale of a property which was not suited to your Company's present expansion plans.

In computing federal income taxes, your company has elected for certain of the properties to utilize accelerated depreciation, in accordance with Internal Revenue Service regulations. The tax liability in the financial statements, computed on the basis of straight line depreciation, appears as a reserve for deferred income taxes. No federal income taxes were payable on 1966 income.

CASH FLOW RISE CONTINUES

Your Company's cash flow in 1966 rose to a record high of \$3,322,808, compared to \$3,097,634 in 1965. This reflects the general rise in revenues and the increased depreciation derived from additional properties.

Constantly increasing cash flow assures debt retirement, thus strengthening the Company and increasing shareholder equity, and furnishes additional funds for working capital and for the acquisition and development of new property.

EXPANSION-MODERNIZATION

During 1966, Beloit Plaza, a 320,000 square foot regional shopping center in Beloit, Wis., was completed and fully opened. This marked the addition of some 30 stores, including J. C. Penney, Woolworth, and Walgreen Drugs, to the already existing Sears, Roebuck store and Kohl Market which were opened and operating in 1965. Plans are progressing now for the construction of an additional 70,000-square-foot department store.

The first section of Fields Plaza, in Parsippany-Troy Hills, N.J., also was completed and opened during the year. This section comprises a supermarket, theater, and miscellaneous service stores. A J. M. Fields discount department store previously was in operation. The balance of the Plaza will be completed and in full operation later this year.

During 1966, your Company purchased ten properties from Food Fair Stores, Inc.—consisting of supermarkets, department and other retail stores, totalling 250,000 square feet. These properties, located in Florida, New York, New Jersey and Pennsylvania, have been leased back to Food Fair Stores under long-term net leases.

Our expansion of existing centers during 1966 included the addition of a bank at Shillington Shopping Center, Shillington, Pa.; a theater at Colonial Park Plaza, Harrisburg, Pa., and another bank at Cobb County Center, Atlanta, Ga. We also started construction of Blue Bell Shopping Center, Philadelphia, Pa. This will be in full operation later this year.

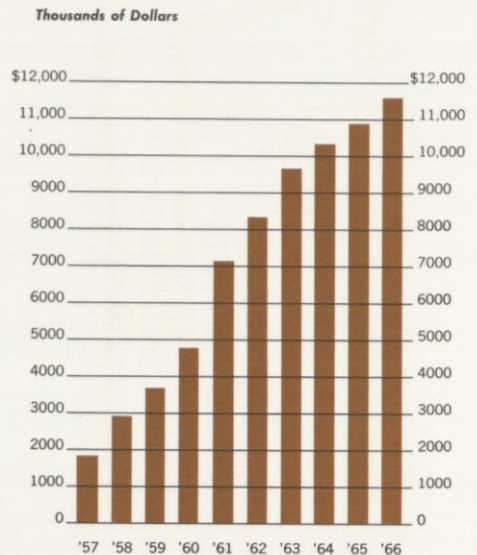
Our outlook for 1967 includes the planning, design, engineering and leasing of new centers comprising more than 1,000,000 square feet of space. Construction of a portion of these centers will commence this year, and completion is anticipated during the next few years.

DIVERSIFICATION

In our last Annual Report, we announced that your Company had entered into a joint venture with experienced residential developers and mortgage specialists in acquiring interests in land in the New Jersey communities of Brielle, Shrewsbury, and Delran. Our purpose, we reported, was to sell the



TOTAL INCOME



land, in wholesale lots, to housing developers in those areas.

During 1966, your Company and its joint venturers, sold their interest in the 50-acre Brielle tract. Contracts of sale have been executed and substantial profits will be realized over the next three years as closing for the sale of various sections of the tract take place.

The Shrewsbury tract, comprising 200 acres, eventually will include 80 acres of single family and town houses; a recreational area of more than 100 acres comprising an 18-hole golf course, clubhouse and restaurant; an Olympic-size swimming pool; tennis courts and other facilities; a school, play fields, gym and cafeteria. Five acres of this tract already have been transferred to Monmouth County as the site of a new county library.

NEWARK PROJECT PROGRESS

The cover design of this Annual Report is an artist's rendering of the first stage of Newark Plaza—now officially known as "Gate-

way," a 22-acre project your Company is developing in the heart of Newark, N.J. We chose to highlight Gateway as a means of announcing that construction of its initial stage is about to begin.

Designed by Victor Gruen & Associates, architects, Gateway will be ideally accessible to all air, rail, and highway transportation; to the centers of commerce, banking, and insurance, and to major industrial areas and model living and working environments.

Gateway I, the first of three stages, will comprise a 27-story office building; an eight-story, 260-room Holiday Inn motor hotel with a restaurant, cocktail lounge, coffee shop, meeting rooms, roof-deck athletic club and swimming pool; concourse level retail and service areas of 50,000 square feet; underground parking; a 730-seat theater, and an all-weather, enclosed arcade.

Gateway is an exciting new concept in urban renewal design. Your Company, in association with two other experienced urban renewal developers, is proud to have been chosen as its developer.

EXCESS LAND UTILIZATION

Our principal business is developing and operating shopping centers. However, when your Company acquires property for a new center, excess land, not needed for retail development, often is included. This excess land has attractions for other types of development and presents profitable re-sale possibilities.

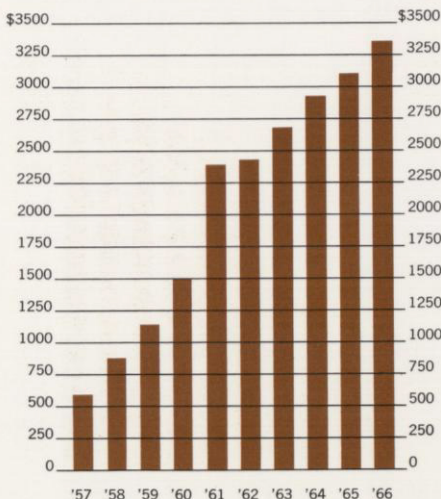
While considering the disposition of this excess land, we constantly are aware of our obligations to our tenants and of their dependence on customer traffic. To this end, the utilization of undeveloped land takes on added significance.

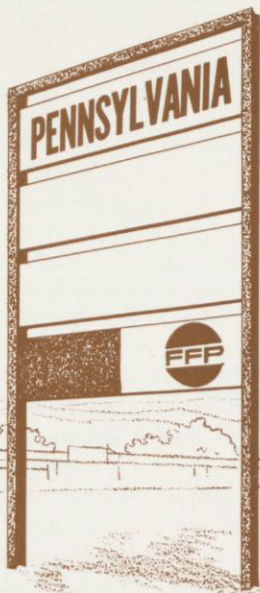
Recently, for example, your Company sold land to developers who have constructed apartment houses adjacent to our centers at Stratford Shopping Center, Stratford, N. J. and Lawrence Park Shopping Center, Broomall, Pa.

This has proved to be mutually beneficial to the apartment house tenants and to our centers, as well.

CASH FLOW

Thousands of Dollars





New motion picture theatre, an added attraction at Colonial Park Plaza, Harrisburg, Pa.



FINANCING

During 1966, your Company received previously committed mortgage funds in the amount of \$5,185,000. Total mortgages outstanding at the close of 1966 amounted to \$56,673,888 compared with \$54,179,361 the previous year. Permanent mortgage reductions in 1966 amounted to \$1,770,500 as against \$1,688,500 in 1965. In the ten years your Company has been operating, permanent mortgage reductions have amounted to \$10,336,000. In addition, the \$5.5 million 1964 term loan, used previously to finance certain construction in our shopping centers, was reduced by an additional \$.75 million during the year to \$4.0 million.

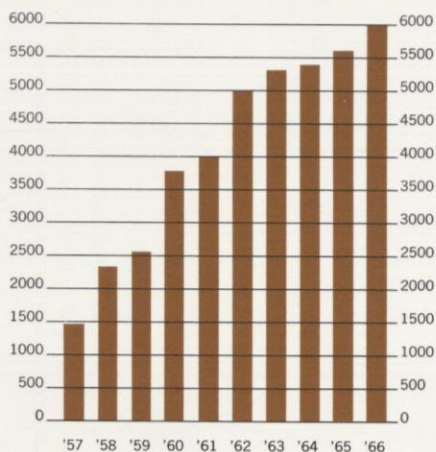
CAPITALIZATION

At the end of 1966, there were outstanding 20,000 shares of 6% cumulative preferred stock and 7,621,899 shares of common stock. Dividends totalling \$120,000 were paid on the preferred stock during the year.

There were approximately 12,000 shareholders on December 31, 1966.

GROSS RENTABLE AREA

Square Feet in Thousands





CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

Food Fair Properties, Inc. and Subsidiaries

	December 31,	
	1966	1965
ASSETS:		
Cash	\$ 217,768	\$ 283,706
Mortgages, notes and accounts receivable, net of allowances for doubtful accounts, 1966, \$291,183; 1965, \$351,553 (Note 4)	4,486,040	4,490,414
Investments and advances:		
Associated companies, 50% owned, at cost	169,021	169,050
Joint ventures, at cost adjusted for current operations	214,832	279,338
Property and equipment, at cost:		
Land (Note 1)	13,849,405	12,669,948
Buildings, less accumulated depreciation, 1966, \$16,757,466; 1965, \$14,160,925	77,932,491	69,394,216
Fixtures and leasehold improvements, less accumulated depreciation, 1966, \$325,373; 1965, \$261,374	393,239	356,849
Construction in progress (Note 2)	1,720,677	5,702,493
Advance on account of real estate purchase, to cost \$2,150,000	1,996,148	
Deferred charges and other assets:		
Unamortized bond discount and expense	1,709,845	1,894,741
Deposits (Note 3)	984,350	853,858
Miscellaneous	1,522,030	1,357,479
Total assets	<u>\$105,195,846</u>	<u>\$97,452,092</u>
LIABILITIES:		
Notes payable, banks and others (Notes 5 and 8)	\$ 18,094,591	\$13,240,483
Accounts payable for construction	471,000	840,478
Other accounts payable and accrued expenses	490,021	219,352
Accrued interest payable	655,352	465,338
Mortgages payable (approximate amount due within one year, 1966, \$2,229,916; 1965, \$3,597,027)	56,673,888	54,179,361
Twenty-year 5 ¹ / ₂ % subordinated debentures, due September 15, 1975, net of bonds reacquired and held in treasury, 1966, \$203,500; 1965, \$171,250 (Notes 5 and 8)	7,373,450	7,436,450
Twenty-five year 6% collateral trust bonds, due June 15, 1984, net of bonds reacquired and held in treasury, 1966, \$277,000; 1965, \$222,000 (Note 6)	6,463,000	6,675,000
Deferred Federal and state income taxes payable (relating to accelerated depreciation)	1,442,813	1,146,064
Tenants indemnity deposits	351,072	256,412
Deposits on sale of land (Note 1)	92,567	174,270
Deferred rental income	569,639	554,398
Total liabilities	<u>\$ 92,677,393</u>	<u>\$85,187,606</u>
SHAREHOLDERS' EQUITY		
Capital stock:		
6% cumulative preferred, par \$100; authorized, issued and outstanding 20,000 shares	\$ 2,000,000	\$ 2,000,000
Common, par 1¢; authorized 12,500,000 shares; issued and outstanding 7,621,899 shares (Note 9)	76,219	76,219
Capital in excess of par	9,120,915	9,122,381
Retained earnings (Note 8)	1,321,319	1,065,886
Total shareholders' equity	<u>\$ 12,518,453</u>	<u>\$12,264,486</u>
Total liabilities and shareholders' equity	<u>\$105,195,846</u>	<u>\$97,452,092</u>

See notes to financial statements.



CONSOLIDATED STATEMENT OF OPERATIONS

Food Fair Properties, Inc. and Subsidiaries

	<i>Year ended December 31,</i>	
	<i>1966</i>	<i>1965</i>
Income:		
Rents	\$11,058,293	\$10,113,787
Interest	325,662	189,354
Profit on sale of real estate	111,334	395,192
Miscellaneous	93,512	127,461
Total income	<u>\$11,588,801</u>	<u>\$10,825,794</u>
Expenses exclusive of depreciation:		
Interest	\$ 4,914,622	\$ 4,438,457
Amortization of bond discount and expenses	152,134	155,011
Rents	276,323	310,896
Real estate taxes	1,605,617	1,473,988
Other	1,886,430	1,958,210
	<u>\$ 8,835,126</u>	<u>\$ 8,336,562</u>
Less amounts transferred to property accounts for acquisition, construction and carrying charges	574,443	615,392
Net expenses exclusive of depreciation	<u>\$ 8,260,683</u>	<u>\$ 7,721,170</u>
Income before depreciation	<u>\$ 3,328,118</u>	<u>\$ 3,104,624</u>
Depreciation	2,650,626	2,438,501
Income before taxes on income	<u>\$ 677,492</u>	<u>\$ 666,123</u>
Taxes on income	302,059	229,999
Net income	<u>\$ 375,433</u>	<u>\$ 436,124</u>

See notes to financial statements.

CONSOLIDATED STATEMENT OF

CAPITAL IN EXCESS OF PAR VALUE

Food Fair Properties, Inc. and Subsidiaries

	<i>Year ended December 31,</i>	
	1966	1965
Balance at beginning of year	\$9,122,381	\$9,094,464
Excess of proceeds received over par value of common stock issued upon exercise of stock options		29,700
	<u>\$9,122,381</u>	<u>\$9,124,164</u>
Less costs incident to registering warrants to purchase common stock (Note 9)	1,466	1,783
Balance at end of year	<u>\$9,120,915</u>	<u>\$9,122,381</u>

CONSOLIDATED STATEMENT OF

RETAINED EARNINGS

Balance at beginning of year	\$1,065,886	\$ 749,762
Net income for the year	375,433	436,124
	<u>\$1,441,319</u>	<u>\$1,185,886</u>
Less cash dividends paid on preferred stock	120,000	120,000
Balance at end of year (Note 8)	<u>\$1,321,319</u>	<u>\$1,065,886</u>

See notes to financial statements.

*Reading Trust Company, another service for shoppers
at Shillington Shopping Center, Shillington, Pa.*



NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the financial statements at December 31, 1966. Reference is made to the previously issued report for the notes applicable to the statements as at December 31, 1965.

1—DEPOSITS ON SALE OF LAND: These deposits are in connection with agreements for the sale of certain land at approximately \$131,000 in excess of cost.

2—CONSTRUCTION IN PROGRESS: This represents expenditures for construction of shopping centers, the cost of which, when completed, will approximate \$2,200,000.

3—DEPOSITS: Deposits include \$850,000 held in escrow, pursuant to a ground lease agreement, in connection with a mortgage loan to the Company on both land and buildings; and of \$130,000 in connection with an agreement to purchase land for \$1,280,000 on May 17, 1968.

4—MORTGAGES, NOTES AND ACCOUNTS RECEIVABLE: This amount includes notes receivable of \$1,512,867 and \$85,000 from Major Realty Corporation for principal, due December 1, 1965 and February 1, 1967 respectively, plus interest of \$107,269 accrued to December 31, 1966. Certain property and assets of Major are pledged as collateral, which in the opinion of management, fully secure the advances. On October 12, 1966, the Company instituted an action to recover judgment on the promissory notes in the principal amount of \$1,522,783 plus accrued interest, and for the court to direct the sale of certain collateral securing the aforesaid amount. On February 27, 1967, Major paid \$200,000 (\$100,000 on account of principal, and \$100,000 on account of accrued interest) and the Company is now negotiating an extension of the due dates of the notes to June 1, 1968.

5—TWENTY-YEAR 5½% SUBORDINATED DEBENTURES: These debentures are subject to redemption through sinking fund provisions. The Company is required to redeem annually the lesser of \$150,000 principal amount of debentures, or 10% of consolidated net income for the next preceding year, after deduction for dividends on the 6% preferred stock. The bonds reacquired and held in treasury may be used to satisfy sinking fund requirements, which in 1967 will approximate \$25,500. These debentures are subordinated to unsecured bank or construction loans.

Debentures of \$103,000, reacquired and held in treasury, are pledged as security for the Company's performance under a mortgage commitment.

6—TWENTY-FIVE YEAR 6% COLLATERAL TRUST BONDS: These bonds are secured by a joint and several mortgage on four shopping centers.

These bonds require semi-annual sinking fund payments, as follows: through June 15, 1971, \$90,000; thereafter, through June 15, 1976, \$121,000; thereafter, through June 15, 1981, \$162,000; thereafter, through December 1983, \$204,000.

Bonds reacquired and held in treasury may be used to satisfy sinking fund requirements.

7—LONG-TERM LEASE COMMITMENTS AND CONTINGENCIES: Under various lease commitments, the earliest of which expires in 1974, the Company is obligated to pay annual rentals totalling \$267,811 plus real estate taxes and other expenses.

The Company from time to time is involved in litigation, incidental to its business. Several such lawsuits are now pending, which, in the opinion of counsel for the Company and management, will not materially affect the financial statements.

8—RESTRICTIONS TO RETAINED EARNINGS: The agreements relating to the twenty-year 5½% subordinated debentures, and to certain notes payable, bank, contain provisions restricting the payment of cash dividends on common stock, and the redemption of any shares of capital stock. As of December 31, 1966, \$879,235 of consolidated retained earnings were not restricted.

9—WARRANTS TO PURCHASE COMMON STOCK: Warrants to purchase 750,000 shares of common stock, at \$3.50 per share through June 15, 1969, were sold during June, 1959, in connection with the sale of \$7,500,000 of 6% collateral trust bonds, due June 15, 1984. Warrants to purchase 1,560 shares were exercised to December 31, 1966, and warrants to purchase 748,440 shares are outstanding.



J. M. Fields discount department store, focal point adjacent to expanding Fields Plaza, Parsippany-Troy Hills, N.J.



LAVENTHOL, KREKSTEIN, GRIFFITH & CO.
Certified Public Accountants

Food Fair Properties, Inc.
Philadelphia, Pa.

We have examined the consolidated statement of financial condition of Food Fair Properties, Inc. and subsidiaries as at December 31, 1966, and the related consolidated statements of operations, capital in excess of par value and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year ended December 31, 1965.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of the companies at December 31, 1966 and 1965 and the consolidated results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Philadelphia, Pa.
March 15, 1967

Laventhol, Krekstein, Griffith & Co.
Certified Public Accountants

New York • Philadelphia • Los Angeles • Washington, D.C. • Harrisburg • Wilkes-Barre • Lewistown





FFP FOOD FAIR PROPERTIES, INC.

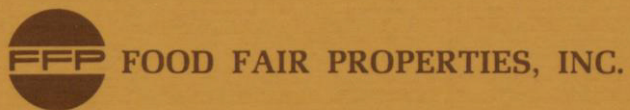
(as of December 31, 1966)

SHOPPING CENTERS IN FULL OPERATION

CONNECTICUT	Bayview Shopping Center, Bridgeport Boston Avenue Shopping Center, Stratford Colony Shopping Plaza, Wallingford
FLORIDA	Crossroads Shopping Center, St. Petersburg Edgewater Shopping Center, Orlando Merritt Island Shopping Center, Merritt Island, Cocoa Norwood Shopping Center, Miami 163rd Street Shopping Center, Miami Philips Highway Plaza, Jacksonville Ward Plaza, Bradenton West Hollywood Shopping Plaza, West Hollywood
GEORGIA	Cobb County Center, Atlanta
MARYLAND	Arbutus Shopping Plaza, Baltimore Brooklyn Park Plaza, Brooklyn Park Eudowood Plaza, Baltimore Liberty Road Shopping Center, Baltimore Reisterstown Road Plaza, Baltimore
NEW JERSEY	Colonia Shopping Center, Colonia Ellisburg Circle Shopping Center, Delaware Twp. Middletown Shopping Center, Middletown Route 18 Shopping Center, Old Bridge Stratford Shopping Center, Stratford
NEW YORK	Baldwin Shopping Center, Baldwin, Long Island Pearl River Shopping Center, Pearl River
PENNSYLVANIA	Abington Shopping Center, Abington Cloisters Shopping Center, Ephrata Colonial Park Plaza, Harrisburg Feasterville Plaza, Feasterville Flourtown Shopping Center, Flourtown Keyser-Oak Plaza, Scranton Lancaster Shopping Center, Lancaster Lawrence Park Shopping Center, Broomall Parkway Shopping Center, Allentown Pennypack Circle Shopping Center, Philadelphia Shillington Shopping Center, Shillington Stefko Boulevard Shopping Center, Bethlehem
VIRGINIA	Walnut Hill Plaza, Petersburg
WISCONSIN	Beloit Plaza, Beloit

PARTIALLY OPEN OR UNDER CONSTRUCTION

NEW JERSEY	Fields Plaza, Parsippany-Troy Hills
NEW YORK	Kingston Shopping Center, Kingston
PENNSYLVANIA	Blue Bell Shopping Center, Philadelphia Stadium Shopping Center, Scranton



FOOD FAIR PROPERTIES, INC.